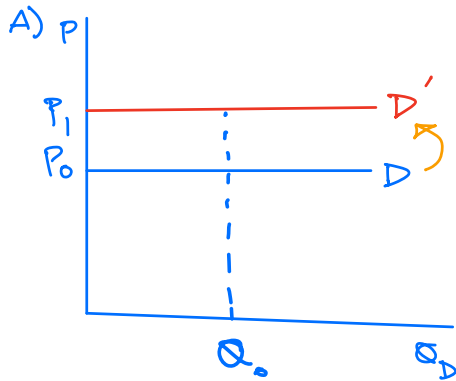


HW#5 Due Feb 3, 2022

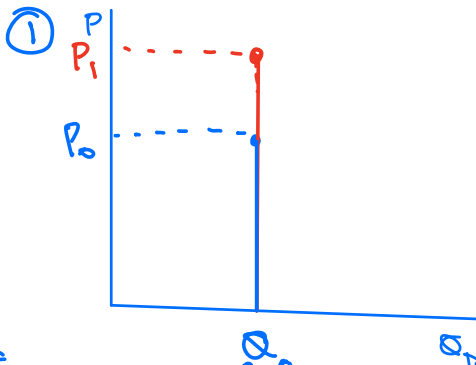
1) How the demand increases in each of these extreme cases

- A) Demand is horizontal
- B) Demand is vertical

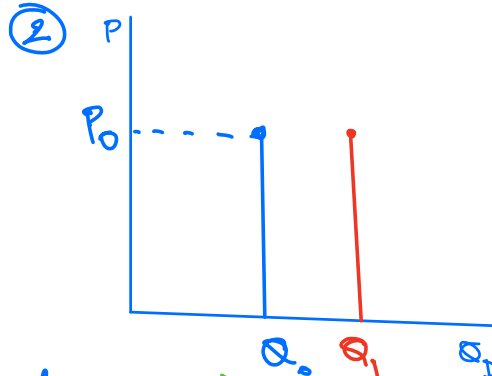


Demand  $D$  increases to  $D'$  by shifting higher.  
 - at every quantity demanded the buyers are willing and able to pay a higher price from  $P_0$  to  $P_1$ .

B) There are two possibilities

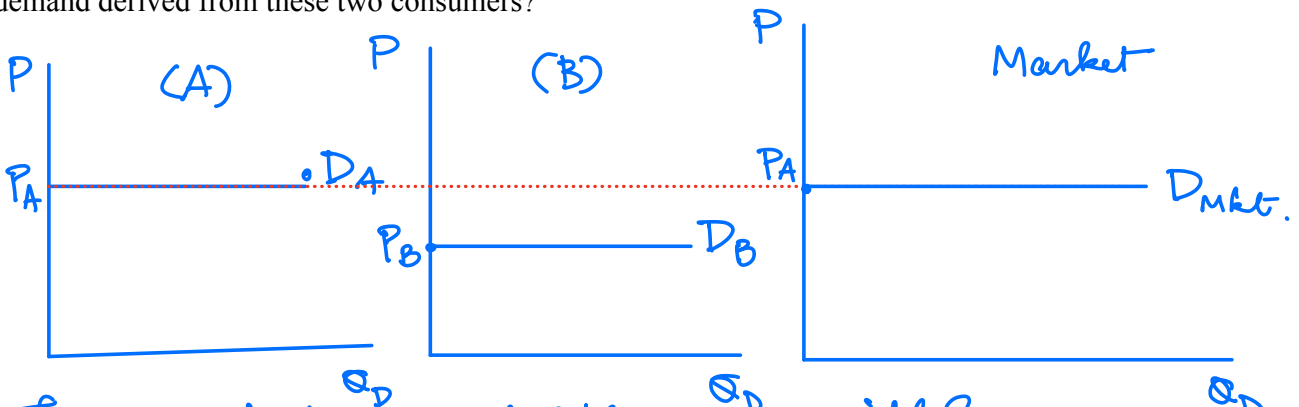


The max price the buyer is willing and able to pay is higher from  $P_0$  to  $P_1$



at price  $\leq P_0$ , the buyer is willing and able to buy more from  $Q_0$  to  $Q_1$

2) If individual demands of two consumers are horizontal but at different prices, what will be the market demand derived from these two consumers?



The quantity demanded of the market will be any quantity available if the price is  $\leq P_A$ .

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